

National Income Posts New Record in 1959

Distribution Reflects Cyclical Upswing

NATIONAL income totaled close to \$400 billion in the year just ended, according to an appraisal of preliminary data. The previous record of \$366 billion, which was set in 1957 and matched in 1958, was exceeded by nearly one-tenth, from present indications.

This advance was due mainly to expansion in the real volume of the Nation's output. Employment was up for the year as a whole, and the average workweek was slightly longer. In addition, output per man-hour advanced after the cyclical decline of 1958.

The rise in national income extended to most major industries and was reflected in nearly all types of labor and property earnings. Employee compensation, which makes up over two-thirds of the income total, increased for the fifth consecutive year. Corporate profits rebounded sharply from the 1958 recession through the first half; despite a setback in the second, the total for 1959 was considerably above that of the preceding year.

Among the major lines of economic activity, only agriculture registered a significant income decline.

Movements within year

The ebb and flow of production as 1959 passed was largely dominated by the course of events in the metal and metal-products industries. These were adversely affected by the major strikes which occurred in the second half of the year, but had generally been operating at high levels prior to midyear; for 1959 as a whole they did considerably better than in 1958, when income had been cut by the recession.

Contributing to the same quarterly pattern, of first-half rise followed by little overall change in the second half,

were various regular cyclical factors which made for slower expansion after midyear.

The year opened with the recession losses about canceled on the whole, and new records were being established in a long list of industries. Income in finance, public utilities, and services, dominated by growth trends and typically resistant to fluctuations in general demand, had been higher in 1958 than the year before, and the advance was maintained or accelerated as the general business upswing gathered momentum. With the economy moving into new high ground in the first quarter, the rebound from 1958 lows in hard-goods manufacturing and transportation showed signs of slackening.

These tendencies in the industrial pattern of expansion, repeating with some variation those noted at a com-

parable stage of the 1954-55 upswing, were interrupted in the spring of last year. Activity in metal and metal-products lines spurted as supply uncertainties loomed ahead. The flow of income in durables manufacturing as a whole rose \$7½ billion from the first quarter to the second, at an annual rate. This expansion in hard goods was the largest recorded for any quarter in recent years. It had widespread effects on other industries supplying the durables producers with materials and services and—perhaps equally important—on consumer income and spending. Reflecting the income gain and other factors partly transitory in nature, substantial increases occurred in expenditures for food, clothing, and consumer durables.

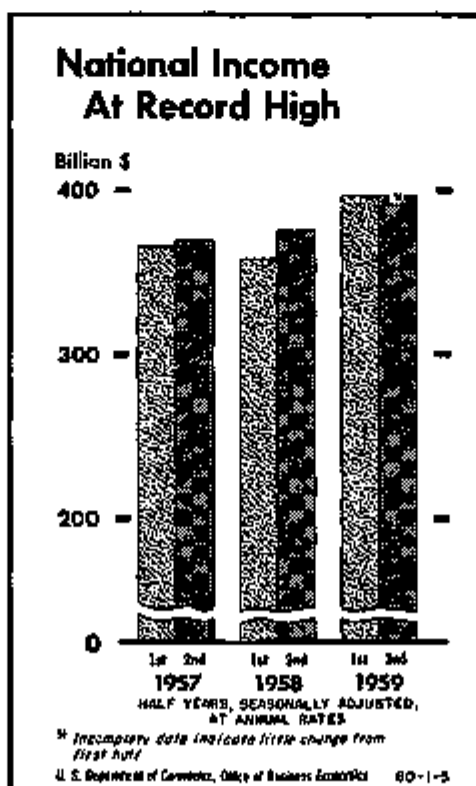
The basic state of the national market was expansionary, in cyclical position as well as longer term trend, and with these developments the national income rose by midyear above a \$400 billion annual rate—a new high.

Second-half crosscurrents

This record pace was not maintained in the second half, when the buildup in the metal-goods lines was reversed, farm income fell further, and adverse movements developed in several branches of construction.

The steel strike which began in mid-July continued for approximately 4 months, idling over half a million steel, mine, and railway employees with an annual payroll of more than \$3 billion. Profits in these industries were off by a like amount from the first-half annual rate and down even more sharply from the second-quarter peak.

With monthly personal income off nearly \$4 billion by August, consumer buying flattened out in the third quarter,



and expansion in the consumer goods industries slowed accordingly. The income changes and uncertainties of the period tended also to reinforce the effect of tight money in curtailing residential construction activity.

Though the underlying tone of demand in general remained strong after midyear, these unfavorable developments were reflected in a national income decline of 1½ percent, or nearly \$6 billion at annual rates, from the second quarter to the third.

Despite the setback of steel operations to between 10 and 15 percent of capacity from mid-July on, production schedules in automaking and other metal-using industries were maintained for some time by drawing on the stocks of steel and components built up before the strike. The total effect of the loss of steel output on activity in the further stages of production was thus delayed and considerably reduced.

As the fourth quarter opened, however, shortages began to emerge and cut into the output of final products. Income from the auto industry and apparently also from other important segments of transportation equipment and fabricated metals manufacturing declined appreciably from third-quarter rates, allowing for seasonal variation.

These metal-using industries together generate over \$20 billion of national income yearly. The income decline in them seems to have substantially offset the third-to-fourth quarter gain in primary metals and rail transportation, which came as a relatively high rate of steel production was attained in the last 6 weeks of the year.

Other major industrial sources of national income also showed offsetting changes toward yearend. A limited further softening of demand for new

construction, evident from a greater-than-seasonal decline in activity and contract awards, affected a number of industries serving this market. On the other hand, experience improved somewhat in major nondurable consumer goods lines as sales increased.

Additional expansionary factors included the growth trends in the demand for services provided by finance, the public utilities and government; these trends had been apparent throughout 1959 as in most other recent years.

Profits Swing During Year

PROFITS reacted with their usual sensitivity to the 1959 cyclical improvement, and to the swing in metal-goods output, which characterized corporate business last year. Before-tax earnings (excluding inventory gains and losses) reached the highest total on record, for the year as a whole, though the calculation of the actual figure must await fourth-quarter data.

In the first quarter a moderate but industrially widespread advance carried the annual rate to \$45½ billion—

about equal to the previous peak which had been attained late in 1955. A further rise amounting to over \$5 billion followed in the second quarter. This was concentrated in durables manufacturing, and was largely canceled after midyear. The course of profits toward yearend is still unclear, but it is already apparent that the unfavorable effects of the steel strike extended from the third quarter well into the fourth. For the full year 1959, however, the total was between \$45 and \$50 billion, as compared with \$42 billion in 1956 and 1957 and \$43 billion in 1955—the best previous years.

Earnings from current production being at these advanced levels, aggregate book profits including inventory gains were likewise at an alltime high, even though the contribution of the inventory gains was substantially less than in the 1955-57 period of rising prices. The total for the year was above the \$45 billion level reached at the previous cyclical peak in 1955-56.

Profits move with business

Profits after Federal and State income taxes were running at a \$25½ billion annual rate in the first half; the total for the year was below this figure because of the poorer second-half performance. Since the expiration of the Federal excess profits levy in 1954, taxes have moved proportionately to taxable net income.

They constitute a slightly smaller

Table 1.—National Income by Type of Income, 1957-59*

(Billions of dollars)

	1957	1958	Seasonally adjusted at annual rates							
			1958				1959			
			I	II	III	IV	I	II	III	IV
National Income.....	344.5	344.2	335.8	338.9	339.5	330.4	339.4	343.9	339.2	NA
Compensation of employees.....	255.5	254.8	252.5	253.2	255.5	262.9	258.5	273.0	279.3	281.5
Wages and salaries.....	238.5	238.4	235.2	236.0	241.1	245.1	239.0	250.4	255.5	261.5
Private.....	108.4	106.2	103.4	103.2	107.1	100.8	100.2	114.0	113.5	114.8
Military.....	0.0	0.7	0.6	0.7	10.0	0.0	0.8	0.8	0.8	0.8
Government civilian.....	30.5	33.5	32.3	33.2	34.0	35.4	34.8	35.0	35.3	34.9
Supplements to wages and salaries.....	17.0	17.4	17.3	17.2	17.5	17.5	19.0	19.0	19.8	20.0
Proprietors' income.....	44.5	40.6	46.1	45.9	46.8	47.4	46.9	46.6	45.1	45.5
Business and professional.....	32.7	32.4	31.6	32.0	33.0	33.2	33.7	34.5	34.8	35.1
Farms.....	11.9	14.2	14.0	13.9	14.2	14.1	13.2	12.1	10.3	11.4
Rental income of persons.....	11.5	11.6	11.7	11.6	11.9	11.9	12.0	12.0	12.0	12.0
Corporate profits and inventory valuation adjustment.....	41.7	36.7	31.5	32.8	38.8	43.6	45.5	51.0	45.0	NA
Profits before tax.....	43.3	37.1	32.9	33.6	38.3	44.6	46.8	52.0	46.4	NA
Profits tax liability.....	21.1	18.3	15.7	16.5	18.8	21.0	22.6	25.0	22.6	NA
Profits after tax.....	22.2	18.9	17.2	17.1	19.5	23.7	24.3	27.0	23.8	NA
Inventory valuation adjustment.....	-1.5	-4	-4	2	-3	-1.1	-0	-1.5	-3	NA
Net interest.....	13.3	14.3	13.9	14.1	14.4	14.7	15.1	15.4	15.9	16.1

*For back data see table 1-8 in the July 1960 SURVEY and, for years prior to 1961, in U.S. Income and Output.

NA—Not available.

fraction of the profits shown in table 1 than would be suggested by the statutory rates of 30 percent for the normal tax and 22 percent for the surtax imposed by the Federal Government plus 2 percent or more levied by most of the States. This is mainly because profits in the national income are measured gross of various items—tax-exempt interest income, operating losses carried over from other years, tax-deductible depletion allowances, etc.—which are excluded from taxable income. The first \$25,000 of income earned by any corporation, moreover, is exempt from the Federal surtax.

With the improved profits experience of 1959, the dividend payout ratio moved down toward the 50-percent level which had been typical of most prosperous years during the 1950's.

This dividend disbursement ratio is low by prewar standards. Associated with it have been a relatively high degree of stability in dividend payments over the business cycle and an increased reliance upon internal fund sources to finance the large postwar capital expansion. Net dividends last year totaled \$13 billion, as against \$12½ billion in

Table 2.—National Income by Industry Division, 1957-58 and First Three Quarters of 1959*
(Billions of dollars)

	1957	1958	Seasonally adjusted at annual rates						
			1958				1959		
			I	II	III	IV	I	II	III
All industries, total.....	305.2	305.2	305.2	305.3	305.5	305.4	305.4	305.3	305.3
Agriculture, forestry, and fisheries.....	10.4	10.0	10.1	10.7	10.0	10.1	10.2	17.2	10.3
Manufacturing.....	112.6	103.7	109.3	109.6	104.3	110.5	115.5	124.6	118.4
Durable-goods industries.....	68.8	61.0	60.1	59.0	60.8	60.1	59.4	70.8	70.4
Non-durable-goods industries.....	43.8	42.7	49.2	41.8	43.5	44.4	40.1	47.8	47.9
Wholesale and retail trade.....	60.4	60.6	67.0	60.6	61.7	62.9	64.5	60.0	67.3
Finance, insurance, and real estate.....	34.7	36.0	36.0	36.3	36.7	37.4	38.2	39.0	40.1
Transportation.....	17.2	16.4	16.0	15.9	16.5	17.1	17.5	17.7	17.3
Communications and public utilities.....	13.5	14.4	14.0	14.3	14.4	14.7	15.2	15.6	15.0
Services.....	40.0	41.0	40.7	41.5	42.0	42.5	43.2	44.3	45.1
Government and government enterprises.....	43.2	49.7	45.2	45.2	47.5	48.6	48.3	49.2	49.9
Other.....	28.0	27.3	26.5	26.8	27.4	28.2	28.0	29.8	29.5

*For back data see table I-II in the July 1959 Survey and, for years prior to 1956, in U.S. Income and Output.

each of the two preceding years and \$12 billion in 1958.

Retained earnings increased last year as they do regularly with cyclical business upswings. The total for the first half of 1959 was triple the cyclical low registered during the corresponding period of 1958. This source contributed between one-fourth and one-fifth of the investment funds which financed the inventory and liquid-asset buildup, and the expanding programs of plant and equipment purchases, in early 1959.

Profits fraction of income

The general movement of corporate profits relative to other types of income has been downward in recent years. This sort of comparison is most appropriately made in terms of the corporate segment of the economy taken by itself. (See table 3 of the regular national income tables at the end of this article.) This sets aside the factors which are special to government, farm, household, and other production not carried on under the corporate form of business.

The profits contribution to total national income originating in corporate business recovered last year from the recession low of 1958. For the first half it was above any other half-yearly ratio recorded since 1955. The general pattern seen in the record for the decade of the 1950's as a whole, however, remains one of downdrift in this proportion. Each successive cyclical peak was lower, and the trough of 1958 was under that of 1954.

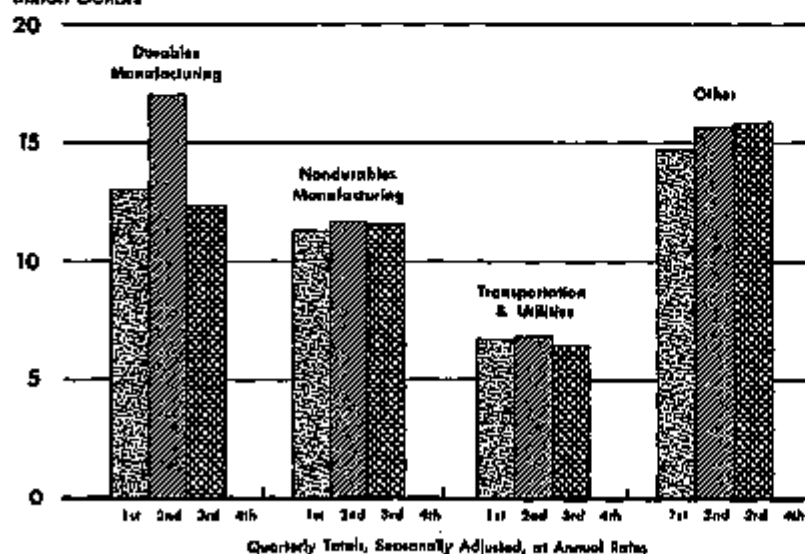
Such comparisons are affected by the rapid growth of capital consumption allowances in recent years. This growth in turn has reflected not only a rapid accumulation of depreciable capital goods but also an increase in the prevalence of accelerated depreciation formulae under which more of the investment in such goods is written off while they are relatively new and while the bulk of their potential lifetime output is being realized.

These formulae are sanctioned by the Internal Revenue Code of 1954 with respect to investments made in that

Corporate Profits*

Durables Manufacturing shows wide swing during 1959

Billion Dollars



* Before tax, and including inventory valuation adjustment

U. S. Department of Commerce, Office of Business Economics

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year or thereafter. They are accordingly being applied each year to a larger part of the corporations' stock of capital goods; and depreciation charges deducted before calculating profits therefore tend to be larger now than in prior years when straight-line depreciation was more nearly the universal

rule. A substantial part of the recorded downtrend in profit margins is associated with this accounting development. The available evidence suggests, however, that even apart from this factor the overall tendency of the profit ratio in the decade just past was downward.

Growth in Labor and Other Income

COMPENSATION of employees last year totaled \$277 billion. This was \$20 billion above the 1958 figure, which in turn had been up a little over \$1 billion from 1957. Most of the 1959 advance was completed by mid-year, an annual rate of \$275 billion being achieved for the first half. There was a further limited increase subse-

quently in spite of reductions in major industries owing to the strike.

Recent variations in aggregate employee earnings have been especially pronounced in corporate business. With the wide swing of activity in durables manufacturing and rail transportation in particular, pay of corporate employees rose from a \$157 billion rate in the first half of 1958 to more than \$171 billion a year later. This was 5 percent above any half-year prior to the recession. The size of the total reflected in part the special and transitory stimuli to economic activity which featured the second quarter. The high spring rate was nevertheless very nearly maintained in the third and fourth quarters.

Accounting for roughly three-fifths of all employee compensation, corporate business provided somewhat more than this fraction of the 1958-59 increase. Of the first-to-second-half gain recorded during the year, however, less than 50 percent came from corporations.

Earnings from other private employment—payrolls of proprietorships, partnerships, and other noncorporate enterprises and of private households—have fluctuated relatively less over the period. Noncorporate employers are especially numerous in lines which are not very sensitive to business cycles. Total compensation of their employees leveled off briefly in the recession and then expanded from mid-1958 on. As 1959 passed, its movements showed the influence of the sharp rise of general economic activity in the spring and the tapering of this advance which followed after midyear.

Earnings of government workers—which account for around one-sixth of total employee compensation—continued the gradual uptrend of other recent years. The expansion in public school systems and other State and local government service activities was a principal factor in the advance during 1959. The total for Federal, State and local employees for the year as a whole was just short of \$50 billion, up \$3 billion from 1958 and \$6½ billion from 1957.

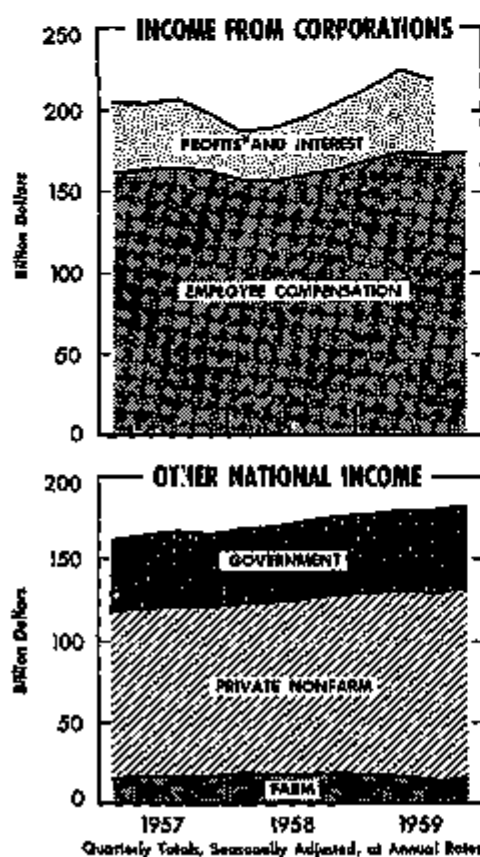
Factors in payroll gain

Private wages and salaries accounted as usual for the bulk of the advance in employee compensation. At \$212 billion, private payrolls in 1959 were up from the year before by \$18 billion.

This rise reflected increases both in

Recent Swings of National Income

Mainly in Corporations



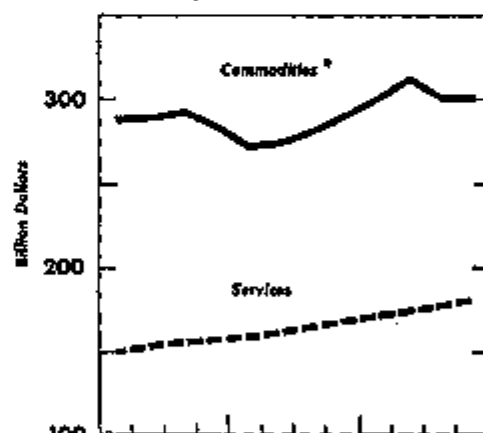
* Before tax, and including inventory valuation adjustment

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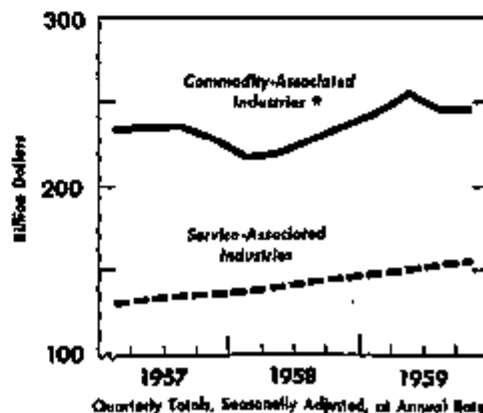
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National Income and Product Fluctuations Center in Commodities

GNP: Output of—



NATIONAL INCOME From—



* Including construction

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60-1-8

hourly earnings and in man-hours worked. It appears that between 50 and 60 percent resulted from higher average earnings; a little more than one-third came from improved employment; and the remaining one-tenth of the total was due to the increase in average weekly hours.

These changes reflected primarily the developments of the first half of last year, when private payrolls moved up to an annual rate \$14 billion above the 1958 total. The second-half pattern was mixed. In the lines most affected by the steel strike, employment averaged considerably less than before mid-year, and neither hourly earnings nor weekly hours were much different in the second half than in the first, for this group of industries as a whole. A limited further gain in total private payrolls reflected mainly the continuing growth in employment, and to a lesser extent that in average earnings, in other industries.

It is of interest to note that setting aside the strike-affected lines has virtually no effect on the comparison between the full years 1958 and 1959. In these industries taken together, last year's first half movements were partly offset in the second, so that the net changes from 1958 were not a large enough element in the overall rise of private payrolls to affect the pattern of this rise significantly.

Other incomes up

The flow of national income from sources other than corporate profits and employee compensation, showing little overall movement during 1959, nevertheless reached a record total for the year as a whole.

These sources—net interest and rental income of persons, and earnings of business, professional and farm proprietors—together provide close to one-fifth of the national income. On an annual basis, the composite total has expanded consistently in recent years. Its strength during cyclical swings reflects the important element of return to owners' labor contribution in most of the shares, and the prevalence of contractual payments in the others. The concentration of noncorporate busi-

ness net income in cycle-resistant industries which has been noted above also makes for stability.

Since 1957 the combined total of net interest and proprietors' and rental income has moved in response mainly

to the anticyclical swing in agriculture and the uptrends in the principal non-farm components. The decline in farm income last year offset much of the continued expansion in interest and in the earnings of nonfarm proprietors.

Industrial Shifts

NATIONAL income was up last year in all major industry divisions, aside from agriculture. The degree of improvement varied widely from industry

to industry. In part the differences are traceable to variations in cyclical sensitivity; some of the sharpest gains represented largely the recovery of ground lost in the recession. Certain of the industries which experienced the strongest cyclical upswing in demand, moreover, were prevented by production difficulties from taking full advantage of this improvement.

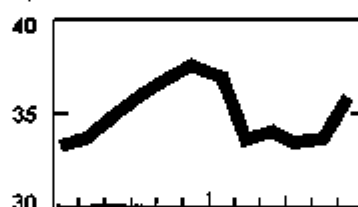
The broad pattern of production and the associated flow of income is seen in the chart on page 10. The longer term uptrend in final demand for services has dominated the course of income from industries where activity depends primarily on such demand. In addition to the service division itself, these lines include the public utilities, finance, and government. Together they accounted for close to 40 percent of national income in 1958 and for nearly a third of its advance last year.

The final demand for commodities, and consequently the flow of income from commodity-associated industries, show more strikingly the effects of cyclical and special factors—though growth trends underlie all of them and were particularly noticeable last year in the demand for consumer nondurables.

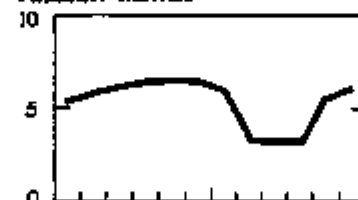
The fluctuations in commodity-associated production brought out by the chart are traceable mainly to durable goods manufacturing and the associated branches of transportation and mining. This group of industries accounted for close to one-fifth of the national income in 1958, but contributed around one-third of the 1959 advance in the all-industry total, on an annual basis. For reasons already noted, the vigorous cyclical expansion in final demand which underlay this improvement was only partly realized in production.

Shifts in Durables Manufacturing Activity

TOTAL WAGES off in second half . . .



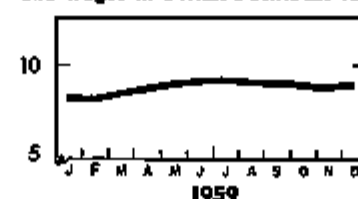
as third-quarter drop in
PRIMARY METALS



affects METAL-USING lines in fourth,



and wages in OTHER DURABLES taper



Seasonally Adjusted, at Annual Rates

U. S. Department of Commerce, Office of Business Economics 50-1-9

Table 3.—National Income by Corporate and Noncorporate Form of Organization, 1957-58 and First Three Quarters of 1959*

[Billions of dollars]									
	1957	1958	Seasonally adjusted at annual rates						
			1958				1959		
			I	II	III	IV	I	II	III
National income.....	344.5	368.2	365.8	358.9	307.5	380.4	385.4	400.9	396.3
Income originating in corporate business.....	203.1	194.4	187.7	189.9	198.2	204.8	212.5	224.9	218.9
Compensation of employees.....	102.7	108.9	107.3	106.3	106.5	102.0	104.2	104.0	103.0
Wages and salaries.....	100.6	105.0	103.2	102.4	102.4	100.4	102.0	101.0	100.1
Supplements to wages and salaries.....	12.2	12.1	12.1	11.0	12.0	12.2	12.3	13.7	13.8
Corporate profits and inventory valuation adjustment.....	39.8	34.0	29.9	32.1	30.1	41.0	43.7	49.3	44.2
Profits before tax.....	41.4	35.3	30.3	31.9	30.4	42.7	44.6	50.9	44.0
Profits tax liability.....	21.1	18.2	15.7	16.5	15.8	21.0	22.8	24.6	22.0
Profits after tax.....	20.3	17.1	14.6	15.4	14.6	20.8	22.0	26.3	21.9
Inventory valuation adjustment.....	-1.5	-1.3	-0.4	-0.2	-0.3	-1.1	-0.9	-1.6	-0.3
Net interest.....	.0	.0	.0	.0	.0	.0	.7	.7	.7
Income originating outside corporate business.....	163.4	173.8	168.0	169.0	173.3	175.6	172.9	176.0	176.0

* Excludes corporate profits originating in the rest of the world sector.

* For back data see table I-14 in the July 1959 SURVEY and, for years prior to 1950, in U.S. Income and Output.

Table 4.—Sources and Uses of Gross Saving, 1957-58 and First Three Quarters of 1959*

(Billions of dollars)									
	1957	1958	Seasonally adjusted at annual rates						
			1958				1959		
			I	II	III	IV	I	II	III
Gross private saving.....	65.2	67.5	64.2	65.0	64.3	71.9	72.3	74.4	72.5
Personal saving.....	28.1	23.5	22.8	22.0	20.0	23.7	23.5	24.1	21.9
Undistributed corporate profits.....	9.7	8.6	8.6	4.8	0.0	10.7	11.1	14.0	10.4
Corporate inventory valuation adjustment.....	-1.5	-1.4	-1.4	.2	-1.3	-1.1	-1.6	-1.3	-1.3
Capital consumption allowance.....	38.0	37.9	37.4	27.0	38.0	38.5	30.3	30.0	40.6
Excess of wage accruals over disbursements.....	.0	.0	.0	.0	-1.3	.0	.0	.0	.0
Government surplus on income and product transactions.....	1.4	-10.7	-10.0	-12.3	-11.5	-9.5	-6.8	-1.1	-3.4
Federal.....	2.4	-9.1	-8.0	-10.9	-10.1	-7.8	-3.9	.4	-2.4
State and local.....	-1.0	-1.6	-1.0	-1.4	-1.4	-1.7	-1.9	-1.5	-1.0
Gross investment.....	70.1	64.8	63.1	61.3	64.6	60.4	67.4	74.3	65.5
Gross private domestic investment.....	64.0	64.0	62.4	61.3	64.2	61.3	68.3	77.6	67.0
Net foreign investment.....	3.5	-1.1	.7	-1.1	.4	-1.3	-2.4	-3.2	-1.6
Statistical discrepancy.....	.6	-2.1	-1.2	-1.3	-3.3	-2.4	.0	-2.0	-3.7

* For back data see table V-2 in the July 1959 SURVEY and, for years prior to 1950, in U.S. Income and Output.

Table 5.—Corporate Profits (Before Tax) and Inventory Valuation Adjustment, by Broad Industry Groups, 1957-58 and First Three Quarters of 1959*

(Billions of dollars)									
	1957	1958	Seasonally adjusted at annual rates						
			1958				1959		
			I	II	III	IV	I	II	III
All industries, total	41.7	36.7	31.5	33.9	28.0	41.5	46.5	51.9	46.9
Manufacturing.....	23.2	18.7	16.2	10.7	10.1	22.9	24.2	28.0	23.6
Durable-goods industries.....	13.1	9.5	7.9	8.2	0.3	12.5	13.0	17.0	12.3
Non-durable-goods industries.....	10.0	9.2	8.3	2.5	9.8	10.3	11.2	11.0	11.3
Transportation, communications, and public utilities.....	5.5	5.7	5.1	6.4	5.0	6.4	6.7	6.9	6.4
All other industries.....	13.1	12.3	10.3	11.7	13.0	14.2	14.7	15.9	15.8

* For back data see table VI-10 in the July 1959 SURVEY and, for years prior to 1950, in U.S. Income and Output.

Construction and materials

Economic growth, cyclical resurgence and the industrial disputes are the three most conspicuous factors in the course of income from commodity production last year. The swing of construction demand also played an important part. Such demand rose to reach an alltime high around midyear, but a somewhat greater-than-seasonal contraction occurred toward year-end.

The fourth quarter construction value total, seasonally adjusted, was off about one-twelfth—or \$5 billion at an annual rate—from the peak. The decline has centered in residential and public construction, decreases in which have outweighed the continued expansion in industrial building.

The tapering in activity, combined with a similar movement in contract awards, has affected not only the contract construction industry itself but also the manufacturing industries supplying construction materials. In all these cases the growth of income slowed in the second half, with the final quarter of the year probably unchanged or down from the third. A similar shift appears to have taken place in furniture and appliance manufacturing.

Savings in metal goods

Recent changes in these construction-related lines of manufacturing have not been large compared to those in other durables industries. The overall flow of income from hard-goods manufacturing has been dominated by the course of events in the metal-producing industries and in machinery and transportation equipment.

In the second half of 1959 as in the first, income in these lines continued to benefit from expansion in final demand by consumers and business. The production difficulties which prevented a full response to these favorable circumstances centered at first in primary metals. The work stoppage in steel was halted under a Taft-Hartley injunction effective November 7, and operating rates in the industry moved up to reach normal by month-end.

Shortages stemming from the steel tieup had already slowed the pace of activity in some of the metal-using in-

(Continued on page 20)

Other machinery

A quite different pattern of sales is found for companies manufacturing agricultural equipment. Here, sales rose contracyclically in 1958, surpassing the former peak in 1952; farm operators net income in 1958 was also the highest since 1952. Farm income fell sharply in 1959—the third-quarter rate was at the lowest point in the postwar period. As

a result, new orders and sales of agricultural machinery peaked in the spring, and declined sizably during the remainder of 1959. New orders placed with agricultural machinery companies have had sharp fluctuations but do not display any well-defined lead over sales—possibly due to the large proportion of sales which is of standard models and stock items.

Shipments of construction and mining machinery producers—benefiting especially from the road construction program and the record outlays for oil well drilling—established highs in 1956 and again in the first three quarters of 1957. Sales fell more than a third by mid-1958 and then recovered—although not back to their 1957 rates.

National Income Posts New Record in 1959

(Continued from page 12)

dustries, however. The effects of such shortages became progressively more severe until late in the fourth quarter, when production turned up in these industries as the supply position began to ease. This sequence of events may be traced in the chart on page 11, in which the course of wage payments reflects the shifting pattern of production from month to month.

Data on the quarter just ended are far from complete, and the period was one of rapid change. It is clear, however, that the second-half movements varied a great deal from industry to

industry among the major metal-using lines.

Motor vehicles output in the third quarter—down during the changeover period—was substantially unaffected by materials shortages, and production of the 1960 models was high during most of October. Thereafter, assemblies tapered rapidly to a late November low. An upturn followed quickly, and by mid-December production was back around preshortage volume, allowing for some seasonal increase. Despite this comeback, auto output and income for the second half of 1959 were off by comparison with the first half of the year.

The effects of the steel strike on other user industries were much less marked, as far as can presently be judged. The machinery industries appear to have registered comparatively little change from the third quarter to the fourth, and were up overall from the first half. In fabricated metals manufacturing, however, activity and shipments tapered through November, and a similar pattern characterized nonautomotive transportation equipment. For these two lines, total production in the second half does not seem to have differed greatly from the rates attained earlier in the year.

Production of Electric Energy in 1958: Revised Data for Page S-26

(Billions of kilowatt-hours)

Month	Total	Electric utilities					Industrial establishments		
		Total	By source		By type of producer		Total	By source	
			By fuels	By water power	Privately and municipally owned utilities	Other producers (publicly owned)		By fuels	By water power
January.....	62,341	55,483	42,800	12,683	44,808	10,675	6,088	6,077	311
February.....	60,235	53,075	39,070	11,005	40,221	9,854	6,180	6,370	291
March.....	60,218	52,933	38,923	12,710	41,703	10,030	6,356	6,294	323
April.....	55,826	49,487	38,488	13,000	39,054	10,434	6,339	6,018	321
May.....	47,091	41,240	32,638	13,001	40,768	10,482	6,281	6,041	320
June.....	58,279	51,874	40,306	11,570	42,022	9,951	6,354	6,021	294
July.....	61,441	55,073	43,443	11,630	44,828	10,245	6,368	6,170	298
August.....	63,601	56,831	45,407	11,424	46,786	11,043	6,570	6,475	295
September.....	60,674	53,944	40,211	10,733	43,737	10,207	6,780	6,490	238
October.....	62,266	55,280	41,440	10,840	44,718	10,564	7,100	6,880	240
November.....	60,850	53,803	43,847	10,646	43,640	10,164	6,657	6,724	213
December.....	58,380	52,230	40,585	10,701	42,106	11,124	7,100	6,916	244
Monthly average.....	64,340	63,788	42,670	11,688	43,228	10,631	6,684	6,358	270

Source: Federal Power Commission.